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MEMORANDUM FOR:

SUBJECT : Notes on Recent Information on the
North Korean Economy

The attached notes are forwarded in response to your
request of 28 January for recent information on five topics
relating to the North Korean economy to be used

to update their briefing materials.

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Chief, China/North Korea Branch,
China Division, OER

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Attachment:
As stated above.

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Notes on Recent Information on the North Korean Economy

A. North Korea's Recent GNP and Annual Growth Rate

We have no numerical estimates to update this information. However, economic growth in North Korea continued in 1973 -- as it has since the mid-1960s -- to lag behind the fast upward pace of the South Korean economy. Perhaps by 1973, per capita GNP in the two Koreas reached rough comparability. If so, total GNP in the South was at least double that of the North.

B. Proportion of Defense Expenditures versus GNP

We have no new information on this subject. In general, we question the significance of the North Korean budget data for 1972-73, which claimed a sharp drop in military expenditures. A cutback in the defense budget may have occurred, from the very high level reached in 1971, but the published figures undoubtedly reflect some statistical manipulation.

C. Current Annual Export/Import Status

The accompanying table provides our latest estimates of North Korea's foreign trade, by trading partner country. Total trade rose from \$700 million in 1970 to \$900 million in 1971 and to over \$1 billion in 1972. If allowance is made for the effects of the 1971 Western currency revaluations on the dollar estimates, however, North Korea's total trade in 1972 in real terms probably grew little, if any, above the 1971 level. In 1970-72, large trade deficits were registered, particularly with the USSR. Scattered data on North Korea's trade in 1973 indicate a continuation of the upward trend in both exports and imports.

North Korea exports primarily heavy industrial products such as pig iron, steel, magnesite, zinc, lead, and cement as well as some agricultural products such as rice, fish, apples, and tobacco. In turn, North Korea purchases a wide variety of goods necessary for the maintenance and growth of the economy. Grain imports (mostly wheat) usually fluctuate with the North Korean harvests, whereas imports of machinery and equipment, petroleum products, chemicals, and manufactured goods have risen steadily in line with domestic requirements.

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D. Any Information Relating to Industrial Production Capability,
Particularly Military Related

[REDACTED]

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[REDACTED] The following data on North Korean imports
of petroleum products from the USSR [REDACTED]

[REDACTED] should be substituted for the data in the

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Metric Tons

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1970	838,500
1971	699,500
1972	398,100

E. Foreign Loans and Military Aid

We judge that foreign loans are financing the recent large deficits in North Korea's trade. For example, credit assistance from the USSR undoubtedly financed the cumulative deficit of \$475 million in North Korea-USSR trade for the years 1970-72. Some of the Soviet credit assistance probably financed deliveries of military hardware to North Korea.

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Table

North Korea: Foreign Trade, by Country a/

Million US \$

	Exports			Imports		
	1970	1971	1972	1970	1971	1972
Total	315	335	400	395	575	620
Communist	256	275	310	335	512	475
USSR	136	136	155	230	367	304
China b/	50	65	95	50	70	105
Eastern Europe	51	50	40	41	55	50
Bulgaria	3	2	N.A.	3	5	N.A.
Czechoslovakia	11	11	N.A.	3	7	N.A.
East Germany	17	16	N.A.	15	25	N.A.
Hungary	4	4	3	3	3	3
Poland	10	7	8	9	5	8
Romania	6	11	N.A.	8	10	N.A.
Other c/	19	25	20	14	20	15
Non-Communist	59	60	90	61	64	145
East Asia	40	35	45	29	32	99
Of which:						
Hong Kong	4	4	3	Negl.	Negl.	Negl.
Japan	33	28	40	25	31	98
Singapore	3	3	2	4	2	1
Western Europe	18	21	35	22	18	29
Of which:						
Austria	Negl.	0	Negl.	4	2	3
Belgium-Luxembourg	2	2	4	Negl.	1	Negl.
France	1	4	10	5	8	14
Italy	Negl.	3	6	2	1	1
West Germany	11	8	11	9	4	9
Other	2	4	9	10	13	17
Of which:						
Australia	0	0	0	6	Negl.	4
Canada	0	0	0	0	8	7
Egypt	1	1	1	2	2	1
India	0	3	2	1	2	Negl.

a. The data in this table place North Korea's trade on an export f.o.b. and import c.i.f. basis. Because of rounding, components may not add to totals shown.

b. The estimates for China are roughhewn projections from data of earlier years.

c. Including Cuba, North Vietnam, Mongolia, and Yugoslavia.

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